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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M. Street, N.W.; Room 222
Washington, D.C. 20554

RE: Ex Parte Letter, CC Docket No. 92-77; Phase II

Dear Mr. Caton:

In its July 15, 1993 Letter of Notification, AT&T summarized its concerns with respect to Billed Party Preference (BPP). Furthermore, AT&T recommended that, if the Federal Communications Commission (Commission) adopts BPP, these concerns should be addressed by modifications to the Commission's proposed rules. Specifically, AT&T proposed that the Commission should (a) avoid strengthening the local exchange carrier (LEC) bottleneck, (b) avoid improper cost recovery, and (c) maximize the opportunity for interexchange carrier innovation.

AT&T is absolutely correct. MessagePhone¹ demonstrated in its Comments and Reply Comments, filed in response to the above mentioned docket, that it has many of the same concerns and has recommended similar modifications. However, these modifications simply are not currently available by upgrading the embedded Operator Service Systems (OSSs) switch software and by trunking all interLATA operator calls ("0" calls) to the LEC's OSS.

These modifications are possible with MessagePhone's technology. MessagePhone has introduced a trunk-side, open architecture system that is installed adjunct to the equal access tandem switch. Because it is an open architecture system, MessagePhone's system provides immediate solutions to AT&T's concerns and enables the Commission to require the above-mentioned modifications. Most important, the architecture is

¹ MessagePhone, Inc. (MessagePhone) is a research and development company that licenses its new technologies and services to service providers, manufacturers and vendors that are acceptable to the service providers, and unbiased third parties.

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cost efficient and will not impose an economic burden on consumers. Accordingly, the concerns voiced by AT&T and others are overcome, thus paving the way for adoption by the Commission and immediate implementation of BPP.

In this letter, MessagePhone will address five of the crucial points raised in AT&T's ex parte presentation by demonstrating that the concerns are moot and the modifications are possible with the implementation of MessagePhone's technology. In addition, MessagePhone will summarize additional features and functionality available with its trunk-side architecture.

1. Consumer calling habits will outpace the need for BPP.

AT&T assumes that BPP will require years of software development before implementation and that, during the interim period, the need for BPP will diminish. MPI's solution requires only a minimum of extra design work before installation can be completed, primarily to allow the architecture to interface with the different operator screen protocols being utilized by the various interexchange service providers. Unlike other solutions that require substantial development, MPI can begin implementation in less than twelve months. In fact, because of the availability of MPI's technology, the Commission should mandate that the LECs begin installing BPP equipment this year. Consumers should (and can) immediately begin to enjoy the convenience and advantages of BPP as well as innovations such as proprietary calling cards and alternate access codes (e.g., 1-800-COLLECT and 1-800-OPERATOR).

2. BPP fosters the LEC bottleneck and stifles interexchange carrier (IXC) competitive differentiation of O+ services.

AT&T's concern is based on the belief that all interexchange traffic will be trunked to the LEC's OSS and that the OSS switch is a "closed" architecture (which it is). Furthermore, AT&T correctly assumes that some IXCs will choose to contract with the LEC to complete the operator transaction on their behalf.

Because MessagePhone's system is an open architecture system, BPP will not foster LEC bottleneck control of operator services or stifle innovation. MessagePhone's system allows service providers to create custom services and retain control of the call -- even if the IXC contracts with the LEC to complete the operator transaction. Innovation will be fostered and new service creation will be promoted. In addition, BPP functions can be generic (with no carrier-specific brand until after the billed party's service provider is determined) and unbundled so

the service provider only accesses and purchases desired BPP service elements²

3. Start-up costs for BPP are exorbitant and unstable.

AT&T based its concern on the initial cost estimates and the recent cost estimates of LECs unfamiliar with MessagePhone's technology:

Initial comment in this proceeding demonstrated start up costs have been projected to exceed \$1 billion... GTE's initial estimate of \$80M recently ballooned to \$300M.³

The costs to implement MessagePhone's technology are reasonable and are substantially less than those originally quoted by the LECs.⁴ Subsequent to its ex parte letter, MessagePhone has discussed its projected expenses with several RBOCs and is comfortable that the estimates are accurate. The cost per RBOC should be approximately \$45 million. This cost includes hardware, software, SS7 nodes, additional trunking, and appropriately allocated cost of SS7 to the LECs' end offices.

Many new services also can be offered with the same technology for only minimal additional incremental costs. MessagePhone's technology presents the LECs with a level of automation and custom programming that simply is not present in their networks or available to them with any other architecture. For example, the Advanced Intelligent Network (AIN) OSS program is more than three years away and will not address prompted proactive services such as Automatic Message Delivery. The by-products of the automation are numerous efficiencies and new services. When implemented, the end result will be that the minimal investment to add these new services will be returned in a short period of time by the new revenues generated. Likewise, the net cost of BPP can be reduced dramatically when the RBOCs choose to implement some of the other services percentage of cost

² AT&T recommends that BPP should be provided by a neutral third party. MessagePhone disagrees. Unbundled BPP functions are exactly the type of basic service elements the RBOCs should be providing through the Commission's Open Network Architecture rules for purchase by service providers. However, if desired by the Commission, MessagePhone's system could be owned and operated by a neutral third party.

³ From a slide titled, "Implementation Is Feasible Only After Massive Industry Investment; Investment Which Carries Significant Marketplace Risk," AT&T Ex Parte Presentation, July 15, 1993.

⁴ See MessagePhone's Ex Parte Letter, June 10, 1993, at 5-7.

allocation profits from new revenues. But most important, consumers will benefit by access to BPP and all the additional services that currently are not available.

4. BPP will stifle the use of access codes.

AT&T is concerned that, with the advent of BPP, access to service providers via access codes will be obstructed. The Commission should approve rules that assure that the LECs implement BPP with technology that will allow consumers to use access codes to directly access their preferred service provider. MessagePhone's technology allows consumers who dial an access code to bypass BPP and directly connect to the preferred service provider's facilities.

5. The high cost of BPP will be passed on to the consumer.

AT&T has expressed concern that the cost of BPP will be passed on to the consumer. MessagePhone mirrors that concern. However, with its Comments and Reply Comments, MessagePhone demonstrated that LECs can be fairly compensated for implementing unbundled BPP functions for the IXC, and that both the LEC and the IXC can generate a profit for the transaction without passing the cost of BPP to the consumer.⁵

MessagePhone's Technology

The Commission should not be detracted from implementing BPP because other technical solutions are unable to give IXCs the same flexibility as MessagePhone's solution. The Commission should mandate a BPP solution that is fair to consumers and continues to give IXCs control of their own destiny.

The following material is an overview of the features and functionality of MessagePhone's system.

1. After identifying the billed party's preferred service provider via LIDB, Feature Group D, or by verbal instructions from the paying customer, MessagePhone's system has the capability of transferring the talk path, as well as all call transaction information, to the service provider. Accordingly, the calling party does not have to re-enter any call or billing information.

2. MessagePhone's system has the capability of "painting" the operator screen for both the originating local exchange carrier (LEC) and the interexchange

⁵ See MessagePhone's Comments at 26-28; Reply Comments at 18-26, Exhibit C.

carrier (IXC) with all call transaction information.

3. MessagePhone's system has the capability of signaling in numerous signaling languages and protocols. In fact, the system can selectively choose to communicate in the language preferred by a particular service provider (e.g., X.25 to Sprint, ISDN to MCI and SS7 to AT&T). MessagePhone's system will operate in an SS7 environment or any other environment currently being utilized.

4. MessagePhone's system has the capability of converting signaling languages and protocols; e.g., the system can receive signals in Multifrequency Exchange Access Operator Service Signaling (MF EAOSS) and transmit them to the LEC's TOPS in Operator Service (OS) signaling.

5. MessagePhone's system is an open architecture system. It can be custom programmed and can provide and support a wide range of services based on the requirements of the originating LEC, IXCs, or other service providers.

6. MessagePhone's system has the capability of completely automating and completing operator services transactions (i.e., enhanced AABS-type services). If requested under contract, the system would be able to complete operator transactions for a particular IXC, while performing only basic billed party preference functions for other IXCs. In addition, custom services based on ANI or call type can be developed and offered by the LEC for the IXC or developed by the IXC.

7. MessagePhone's system allows consumers to bypass BPP by utilizing access codes or proprietary calling cards to access IXC operators and services.

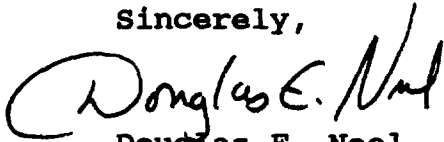
8. MessagePhone's system is constructed with off-the-shelf network elements supplied by Hewlett-Packard and other companies. In effect, MessagePhone could begin the initial installation of BPP in less than twelve months.

With MessagePhone's technology, BPP will not create a new LEC bottleneck, thwart innovation, or promote improper cost recovery. Because MessagePhone's system is an open architecture system, the operator service providers can access only the unbundled functionality they need, and pay only for the basic services they utilize. In addition, service providers will be able to design and implement unique custom services.

This technology provides the Commission with a unique opportunity. Consumers want the convenience and advantages of automatic access to their chosen service providers. MessagePhone's trunk-side architecture enables the Commission to mandate immediate implementation of BPP. In addition, the architecture provides additional features and services that will make BPP a compelling solution for consumers, LECs and IXC's.

MessagePhone is available to provide the Commission and its staff with additional information. Please contact us if we can be of assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas E. Neel". The signature is fluid and cursive, with a large initial "D" and a stylized "N".

Douglas E. Neel
V.P. Regulatory Affairs

Enclosed: Two Additional Copies

cc: Gary Phillips
Mark Nadel